



# Renewable Fuels Commission Impediments to Expanded Biofuels Use

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# Marathon's Current Biofuels Initiatives



- ♦ Currently blending over 675 Million Gals/Yr of Ethanol as E-10. Began blending in TN and SC in 2007, added blending in GA, NC, FL, AL and anticipate, LA in 2008
- ♦ E-85 sales were suspended at retail while UL issue with dispensers was being resolved. Problems with current ASTM spec for E-85, RVP minimums impede blending with commercial gasoline
- ♦ Blending B2 in Minnesota and offering biodiesel blends at Louisville, KY; Robinson, Champaign, Chicago IL. Predominantly B-11 in IL, B-2 or B-5 in KY.
- ♦ Equity owner in 2 ethanol plants having 220 MMGY of annual gross production capacity

# Impediments to Ethanol Expansion



## ♦ Near Term

- State fuel quality regs must accommodate E-10 blends with commercial gasoline

## ♦ Long Term

- Need OEMs to make all FFVs
- Currently, no good placement options over E-10
- Problems with E-85
  - Not enough FFVs
  - Not enough retail locations
  - Pricing for consumer, lowers ethanol value for producer/supplier, who absorbs reduced value?

# Impediments to Biodiesel Expansion



## ♦ Economics

- Currently, soy based biodiesel too expensive vs diesel, even with \$1/Gal. federal subsidy

## ♦ Quality issues

- Animal fats, used greases cheaper, but more quality concerns
- FAME plants quality is a function of feedstock
- Renewable diesel, no quality issues
- Quality problems need to be avoided (Consumer confidence)
- Not everyone offering biodiesel takes quality serious enough

## ♦ Primary drivers today, mandates or subsidies

# Marathon's Goals



- ◆ Increase ethanol and biodiesel blended product offerings wherever it adds value to its petroleum based product business
- ◆ Place additional biofuels as necessary to meet mandates where costs are lowest
- ◆ Make investments enabling E-10 blends at all our terminals, and biodiesel blending at select terminals
- ◆ Partner with suppliers and end users to expand blending into new markets
- ◆ Increase focus on biofuel logistics and supply chain reliability
- ◆ Seek equity in ethanol plants that provide adequate returns and transportation efficiencies